

City of Seldovia

Assessment of Management Capacity Indicators

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Division of Community and Regional Affairs
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Introduction

The City of Seldovia report was completed by Rural Utility Business Advisor program staff Roberta Eleazer as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Anchorage regional office for viewing if requested.

The goal of the RUBA program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Seldovia operates and manages the following utility services:

- Level 1 water treatment and distribution system
- Level 1 piped sewage system
- Solid waste pickup and disposal

Capacity Indicators

On 11/17/2014, RUBA staff Roberta Eleazer met with City of Seldovia staff to complete a RUBA Assessment of Management. City of Seldovia staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Adopted FY15 budget ordinance
- Balance sheet, dated November 2014
- Profit and loss by class dated November 2014
- Customer aging summary October 2014
- August to October 2014 general meeting agenda
- August to October 2014 council general meeting minutes and financial packets
- Internal Revenue Service and Alaska Department of Labor and Workforce Development tax clearance
- Water/Wastewater utility invoice
- Homer Electric Association October 2014 receipts
- Utility ordinance amendment and Chapter 13.72 water and sewer utility rates, payment, and collection schedule
- FY15 fee schedule
- Alaska Department of Environmental Conservation system classification and operator certification data
- Alaska Department of Environmental Conservation Consumer Confidence Report
- State of Alaska, Department of Labor and Workforce Development notice for workers' compensation insurance coverage
- Personnel policies
- Delinquent account payment agreement
- Utility employee job descriptions
- Utility employee job announcement
- City of Seldovia comprehensive plan

Finances

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board. |

- ☒ ☐ The utility is current in paying all water/wastewater electric bills.
- ☒ ☐ The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
- ☒ ☐ The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

Yes No

- ☒ ☐ The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs.
- ☒ ☐ YTD revenues are at a level equal to or above those budgeted.
- ☒ ☐ YTD expenditures are at a level equal to or below those budgeted.
- ☒ ☐ A monthly manager's report is prepared.
- ☒ ☐ Budget amendments are completed and adopted as necessary.

The city's fiscal year runs from July 1 to June 30. A copy of the city's FY15 budget ordinance adopted on June 26, 2014 is on file in the Anchorage office. The budget separates water and wastewater utility enterprises from the general budget, allowing a clear financial picture of the utility services the city provides. The budget accounts for revenues from user fees, and expenses related to administration and operations, including: wages and salaries, workers' compensation insurance, health insurance, retirement, audit fees, vehicle expenses, contract monitoring and testing, liability insurance, operating supplies, office and postage supplies, utilities power, heating fuel, training, repairs, and maintenance. The city treasurer prepares monthly a detailed 19-page financial report that the manager presents to the council. RUBA staff verified that the city is current in paying its electric bills to Homer Electric Association. Fuel is purchased from a local business that receives a 'State of Alaska Bulk Fuel' loan. Water utility rates cover operating expenses, without additional subsidy. The July through November 2014 Profit and Loss statement presents \$48,426.51 in water utility revenue and \$42,137.86 in expenses. The wastewater revenue is \$25,641.58 with \$15,262.26 in expenses. The utility budget includes a 'Major Maintenance and Repairs' account. Budget amendments are completed and adopted as necessary.

Accounting Systems

Essential Indicators

Yes No

- ☒ ☐ The utility has adopted a collection policy and actively follows it.
- ☒ ☐ The utility bills customers on a regular basis.
- ☒ ☐ An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
- ☒ ☐ An accounts payable system is in place.
- ☒ ☐ The payroll system correctly calculates payroll and keeps records.
- ☒ ☐ A cash receipt system is in place that records incoming money and how it was spent.
- ☒ ☐ The utility has a cash disbursement system that records how money was spent.

Sustainable Indicators

Yes No

- ☒ ☐ A chart of accounts is used that identifies categories in a reasonable, usable manner.
- ☒ ☐ Monthly bank reconciliations have been completed for all utility accounts.
- ☒ ☐ The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The council has amended the 'Utilities of the Seldovia Municipal Code' to include a notice of account delinquency via certified mail, and a payment agreement to prevent a shut off of utility service. Additionally, the City of Seldovia will place a lien upon any and all real property serviced by any of the utility. The FY15 Water and Sewer fee schedule is detailed and includes a one-time deposit that is refundable after one year. The schedule lists costs for water turn-on or turn-off during business hours and non-business hours, return visits when necessitated by restricted access, and unauthorized water turn-on or turn-off. Customers are billed monthly. The aging summary was provided for the water/wastewater utility and shows a progression on the collection of past due bills. The treasurer provided an accounts payable aging summary. The treasurer uses QuickBooks to correctly calculate payroll and cash receipts and disbursements. Chapter 6 of the Seldovia Municipal Code outlines procedures for purchasing, contracts oversight, and financial controls. Bank reconciliations are made monthly.

Tax Problems

Essential Indicators

Yes No

- ☒ ☐ The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- ☒ ☐ The utility is current on filing tax reports.
- ☒ ☐ The utility is current on making tax deposits.
- ☒ ☐ If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

The city uses QuickBooks for calculating and processing payroll tax liabilities. The Internal Revenue Service Taxpayer Advocacy service confirmed on September 4, 2014 that the city is in compliance with its federal tax filing and deposit requirements. The State's Department of Labor and Workforce Development (DOLWD) granted the city Employment Security Tax clearance on September 5, 2014. The city is not listed on the July-August 2014 Lien Watch report published by the State of Alaska Department of Commerce, Community and Economic Development.

Personnel System

Essential Indicators

Yes No

- ☒ ☐ The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- ☒ ☐ The utility has adequate written job descriptions for all positions.
- ☐ ☒ The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- ☒ ☐ The utility has an adequate written hiring process.
- ☒ ☐ The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- ☒ ☐ The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- ☒ ☐ The utility provides training opportunities to staff as needed and available.

The City of Seldovia has a posted workers' compensation insurance policy in effect. Chapter 2.52 of the municipal code outlines the city personnel system, which addresses employee responsibilities, discharge of city employees, types of employment, hours of work, holidays, annual and sick leave, pay days, resignations, and judicial review. The community's adopted personnel policy is comprehensive. New hires have a 90-day probationary period. Employees receive retirement, paid leave, and paid holidays. Job descriptions are maintained for all positions. Individual personnel folders contain all required information, including I-9s, job applications, and personnel actions. There is not an active, scheduled practice of regular employee evaluation and feedback. The city manager serves as the personnel officer. He interacts daily with employees and provides one-on-one direction if necessary. The employees adhere to the job descriptions and the council supports the manager's style of evaluation. The city office has been staffed by the same employees for over six years. The water treatment operator is adequately trained and certified. The water and administrative budget includes dedicated funds for training, travel, and per-diem.

Organizational Management

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The entity that owns the utility is known; the entity that will operate the utility is set. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The policy making body is active in policy making of the utility. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The policy making body enforces utility policy. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained manager. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained bookkeeper. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has an adequately trained operator or operators. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate. |

Sustainable Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted an organizational chart that reflects the current structure. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The policy making body meets as required. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility complies with the open meeting act for all meetings. |

Chapter 13 of the city's Utility Ordinance #80-9 states, "The Seldovia Water Utility has been created by ordinance and charged with the operation of the city's water and sewer infrastructure as an enterprise of the city". On July 25, 2012 the city council adopted an ordinance amending Title 13, Utilities of the Seldovia Municipal Code, adding to Section 13.72.050 provisions concerning non-payment and service disconnection. The ordinance states that any person failing to pay a utility bill 60 days past the date of billing will be served notice via certified mail that their utility service will be disconnected within five business days. The city has a Class 1 Water Treatment and Distribution System, and the water treatment operator is certified in Water Distribution and Treatment Provisional. His Water Treatment 1 certificate expires on December 31, 2016 and his Water Distribution 1 certificate expires on December 31, 2016. According to a November 15, 2014 query of the Alaska Certified Water/Wastewater Operator Database, the city's assistant operator is certified in Water Distribution Provisional with an expiration date of December 31, 2016. The city manager serves as utility manager and has been employed for five years. The city manager transmits utility information and issues to the city council. The treasurer handles utility finances, has been employed for five years, and is well-qualified and organized. The city clerk has been employed for 10 years and has regularly attended the Alaska Association of Municipal Clerks' annual conference. The city office also employs a part-time bookkeeping assistant. All three display competency in their work, and have a comprehensive understanding of the city's financial systems. The city of Seldovia provided an organizational chart. The city council meets twice a month and complies with Alaska's Open Meeting Act for all meetings, posting notice five days prior on the city website, on the board at the city office, and at the post office.

Operation of Utility

Essential Indicators

Yes No

- ☒ ☐ The utility operator(s) are actively working towards necessary certification.
- ☒ ☐ The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Sustainable Indicators

Yes No

- ☒ ☐ The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- ☒ ☐ The utility has a safety manual and holds safety meetings.
- ☒ ☐ Utility facilities have not suffered any major problems/outages due to management issues that are unresolved.

- ☒ ☐ The utility is operating at the level of service that was proposed.
- ☒ ☐ The operator provides status reports to the manager on a routine basis.
- ☒ ☐ The utility has completed and distributed its "Consumer Confidence Report".
- ☒ ☐ The utility is not on the "Significant Non-Complier" (SNC) list.
- ☒ ☐ The utility maintains an inventory control list.
- ☒ ☐ The utility maintains a critical spare parts list.

The City of Seldovia's has a Class1 water distribution and treatment system; the city's lead water treatment operator is certified to the level required to operate the plant. His Water Treatment Level 1 and Water Distribution Level 1 certificates expire on December 31, 2016. The utility only chlorinates the water. The utility has not formalized their safety meetings. However, the operators under the supervision of the city manager take part in the Alaska Municipal League Joint Insurance Association loss incentive control program, and the utility manager "spot checks" the facilities. The utility has not suffered any major problems due to management issues and operates at the level of service that was proposed. The Department of Environmental Conservation reported that Seldovia has submitted the 2013 Consumer Confidence Report. The utility is not on the July 2014 Significant Non-Complier (SNC) list. The utility has a large inventory of spare and critical parts; however, due to the construction of the new filtration system, the utility is not purchasing any new parts. The utility has two spare pumps on hand and two air taxis service the community every hour. The utility has not suffered any major problems due to lack of necessary parts. Up-to-date inventory and critical spare parts lists, and a recommended preventive maintenance plan, will be provided to the community by Village Safe Water. Guidance and mentorship in the operation of the new water treatment system will be ongoing through the Remote Maintenance Worker program.

Essential Recommendations

The City of Seldovia has met all of the essential capacity indicators. The City of Seldovia needs to diligently continue to operate in the efficient and effective manner that meets all essential capacity indicators.

Sustainable Recommendations

The City of Seldovia has not met all of the sustainable capacity indicators. The City of Seldovia can work to improve sustainable indicators as follows:

- The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.

Conclusion and Next Step

By implementing RUBA recommendations and working with the RUBA program to continue improving management practices, the City of Seldovia will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

The City of Seldovia staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practices and sustainability.

RUBA staff is available to provide ongoing assistance in improving management practices and sustainable utilities.